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Retail profile for fiscal 1989

*Growth slows for 92 public retailers;
smaller specialists perform best*

The 92 public retail firms in this year's Profile had total sales of \$231.5 billion, up 10.7% over 1988. This marked a slowdown from the 12-13% annual growth rate that the same companies recorded over the preceding three years. However, combined earnings for the group were \$7.9 billion before extraordinary items, 16% above 1988. That yielded a 3.4% return on sales, highest for the 1985-89 period covered in the Profile.

Considering the heavier than usual price promotions during the fourth quarter of 1989, continued uncertainties caused by restructuring, and an apparent cooling in consumer spending on apparel, home furnishings, furniture, and appliances, the retail industry's financial performance in fiscal 1989 was better than expected.

An examination of the industry's profit and loss statement yields a quick explanation for the higher earnings. Although gross profit slipped a notch, the profiled companies achieved better control over their SG&A expenses, driving them down a half point to 23.7% of sales. One half of one percent of \$231 billion is \$1.15 billion, more than the Profile's total dollar profit increase over 1988. (Indeed, one-third of the savings were contributed by *Sears*, whose "everyday low price policy" meant

lower promotion costs, helping it reduce its SG&A by \$392 million. Other significant reductions in this area were made by *Claire's Stores*, *Edison Brothers*, and *Jacobson Stores*. Every little bit helps.)

None of the other components of the industry's P&L changed significantly from last year . . . Among the key

ratios, return on total equity for the 92 companies slid almost a point to 15%, but remained the second highest ROE for these companies in the last five years . . . Return on net operating assets, a new performance ratio this year, was 14.2% — a five-year high . . . The industry's long term debt — \$33 billion — remained

Profile by Size Segments

(23 companies in each quartile)

Segment I

Sales \$190.5 Bil. (82%)
Profits 6.1 Bil. (88%)

Segment II

Sales \$27.8 Bil. (12%)
Profits \$551.0 Mil. (8%)

Segment III

Sales \$9.0 Bil. (4%)
Profits \$288.0 Mil. (4%)

Segment IV

Sales \$4.1 Bil. (2%)
Profits \$20.0 Mil. —

Total Profile — 1989

Sales — \$231.5 Billion
Profits — \$7.9 Billion

Total Profile — 1988

Sales — \$209.2 Billion
Profits — \$6.8 Billion

Numbers in parentheses are % of profile.

Sales and Earnings

SALES RANK	1988	Company	Sales (\$000)	Net Income (\$000)	SALES RANK	1988	Company	Sales (\$000)	Net Income (\$000)
1	2	K Mart Corp. 01 90-G	29,533,000	323,000	25	25	Fred Meyer 01 90-G	2,284,535	-6,848
2	1	Sears Merchandise Group 12 89-D	28,824,600	646,900	26	+	The T.J.X. Companies 01 90-S	2,148,735	-78,275
3	3	Wal-Mart Stores 01 90-G	25,827,341	1,075,900	27	29	Circuit City Stores 02 90-H	2,096,588	78,100
4	4	J.C. Penney 12 89-D	16,103,000	802,000	28	24	Best Products 01 90-P	2,090,570	-53,809
5	5	Dayton Hudson Corp. 01 90-G	13,644,000	410,000	29	31	Hills Department Stores 01 90-G	2,075,603	2,908
6	6	May Department Stores Co. 01 90-D	9,602,000	498,000	30	30	Brown Group 01 90-S	1,820,547	33,827
7	7	Woolworth Corp. 01 90-S	8,820,000	329,000	31	35	The Gap 01 90-S	1,586,596	97,628
8	8	Merville Corp. 12 89-S	7,553,971	398,076	32	36	Spiegel 12 89-S	1,524,887	73,282
9	9	R.H. Macy & Co. 07 89-P	6,974,141	-53,651	33	32	Rose's Stores 01 90-G	1,507,560	8,926
10	10	Montgomery Ward 12 89-P	5,028,000	151,000	34	37	The Neiman Marcus Group 07 89-S	1,467,504	25,253
11	12	The Price Co. 08 89-G	4,901,154	117,035	35	39	Hartman's Corp. 11 89-S	1,296,993	17,410
12	+	Federated Dept. Stores 01 90-P	4,867,000	-1,500,000	36	38	Petne Stores Corp. 01 90-S	1,257,522	32,265
13	15	Ames Department Stores 01 90-G	4,793,126	-228,062	37	42	Hechinger Co. 01 90-H	1,229,572	34,189
14	13	Toys R Us 01 90-H	4,787,830	321,080	38	43	Edison Brothers Stores 01 90-S	1,073,500	56,900
15	11	The Limited 01 90-S	4,647,916	346,926	39	40	Grossman's 12 89-H	1,052,095	15,777
16	14	Tandy Corp. 06 89-H	4,180,703	323,504	40	45	Strawbridge & Clothier 01 90-D	950,306	31,159
17	16	Service Merchandise 12 89-H	3,307,110	71,991	41	44	Highland Superstores 01 90-H	924,674	-12,380
18	18	Dillard Department Stores 01 90-D	3,049,062	148,092	42	47	Jamesway 01 90-G	871,548	5,785
19	27	Costco Wholesale Corp. 08 89-G	2,943,385	27,009	43	46	Child World 01 90-H	830,269	5,833
20	17	Carter Hawley Hale 07 89-D	2,787,393	13,470	44	48	Charming Shoppes 01 90-S	808,637	36,410
21	26	The Home Depot 01 90-H	2,758,535	111,954	45	49	Family Dollar Stores 08 89-G	756,886	21,517
22	+	Allied Stores 01 90-P	2,706,300	-925,200	46	51	Ross Stores 01 90-S	733,469	29,840
23	21	Nordstrom 01 90-S	2,671,114	114,909	47	52	Dollar General Corp. 01 90-G	615,148	12,377
24	19	Lowe's Companies 01 90-H	2,650,547	74,912	48	50	Consolidated Stores 01 90-G	608,681	-6,954
25	20	U.S. Shoe Corp. 01 90-S	2,557,158	49,187	49	56	Lands End 01 90-S	545,201	29,071
26	22	Mercantile Stores 01 90-D	2,312,802	130,343	50	55	Horn & Hardart Co. 12 89-S	534,248	-8,959

+ Unavailable. \$ Operating Earnings. C = Conglomerate Multi-Industry (retail sales only); D = Dept. Store; G = General Merchandise Discounter; H = Hard Lines Specialty Store; P = Privately Owned; S = Soft Lines Specialty Store

at 72% of equity. In 1985, it was 62% . . . Twenty of the 98 retailers in this year's Sales & Earnings list suffered losses, as compared with 16 out of 104 last year.

Big Getting Bigger.

As is the case in KSA's other industry Profiles, consolidation continued in retailing during 1989. There are five fewer public retail companies fully profiled this year, with nine departures and only four replacements. However, this Profile covers more sales and a wider range of company sizes. The smallest firm in the fiscal 1988 Profile had \$98 million in sales; this year's tail-ender was at \$72 million. At the same time, the biggest companies are getting bigger.

The 23 largest companies in the Profile accounted for 82% of its total sales, and 88% of its profits. (See table, page 1.) The top quartile in this year's apparel Profile did 75% of the over-all volume while taking 90% of total dollar profits. In footwear, the largest companies had an 84% share of sales and 91% of profits.

Large size did not make high performance ratios any easier to achieve, however. Only eight of the biggest companies, led by *The Limited*, were able to record top 10 performances, and only four of the next 23 largest were able to make the top 10 in any category. However, 11 of the 23 smallest firms had leading performances, with *Claire's*, *Duty Free International*, *Dress Barn*, *Deb Shops*, *C.M.L.*, and *Cato* appearing more than once.

Only in return on total equity did the larger companies like *Wal-Mart*, *The Gap*, and *The Limited* show up among the leaders. Illustrating the wide range of performances in the Profile, the best ROE was 35.6%, turned in by *Claire's Stores*, while the median was 10.3% and the composite for the entire Profile was 15%. Median performances for all companies in the Profile, as detailed in the table on page 7, were considerably lower than the volume-weighted composite ratios.

Sector Results: Department Stores.

The 12 companies classified in this sector showed the

Sales and Earnings

SALES RANK				Net	SALES RANK				Net		
1989	1988	Company	Sales (\$000)	Income (\$000)	1989	1988	Company	Sales (\$000)	Income (\$000)		
53	60	Pier 1 Imports 02/90-H	516,858	25,253	89	89	Gottschalks 01/90-D	236,765	3,401		
54	57	Best Buy Co. 03/89-H	506,674	2,060	91	91	Paul Hams Stores 01/90-S	235,978	1,939		
55	53	Burlington Coat Factory 06/89-S	479,934	20,365	92	65	C M L Group 07/89-S	234,598	-31,897		
56	70	Merry-Go-Round 01/90-S	478,923	22,245	93	83	Haverly Furniture 12/89-H	232,081	7,793		
57	62	Pic N Save Corp. 12/89-G	475,210	30,876	94	85	Sprouse Ritz Stores 01/90-G	222,995	-1,635		
58	54	Alexander's 07/89-D	463,119	17,461	95	86	L Luna & Son 01/90-H	221,017	3,854		
59	+	Blair Corp. 12/89-S	431,608	27,462	96	88	Genesco 01/90-C	214,637	9,777 \$		
60	61	The Lionel Corp. 01/90-H	428,848	343	97	92	Deb Shops 01/90-S	201,899	17,640		
61	59	Kay Jewelers 12/89-H	420,615	196	98	97	The Good Guys 09/89-H	195,015	3,966		
62	81	J Baker 01/90-S	399,230	13,149	99	93	Zions Cooperative 01/90-D	194,479	1,787		
63	64	Jacobson Stores 01/90-D	394,181	11,801	100	99	Claire's Stores 01/90-H	190,246	19,452		
64	72	Tiffany & Co. 01/90-H	383,964	33,305	+	95	Clothestime 01/90-S	187,046	461		
65	66	House of Fabrics 01/90-S	357,392	11,111	101	90	Audio Video Affiliates 01/90-H	143,660	-2,577		
66	67	Hancock Fabrics 01/90-S	345,819	25,957	102	98	Stuarts Department Stores 01/90-G	141,843	-548		
67	71	Fabri-Centers of America 01/90-S	333,347	8,760	103	102	Crowley, Milner & Co. 01/90-D	113,623	85		
68	68	Oshman's Sporting Goods 01/90-H	317,197	-580	104	101	W Bell & Co. 01/90-H	110,558	-4,513		
69	69	Standard Brands Paint 01/90-H	314,023	3,708	105	104	The Fur Vault 05/89-S	94,304	-2,941		
70	73	Syms Corp. 12/89-S	300,078	19,218	106	+	Duty Free International 01/90-H	85,655	10,020		
71	76	Greenman Bros. 01/90-H	295,955	2,406	107	+	Frederick's of Hollywood 08/89-S	80,073	3,043		
72	80	Michaels Stores 01/90-H	289,754	13	108	+	Webster Clothes 01/90-S	72,472	-1,110		
73	79	Brendle's 01/90-H	277,416	3,431	Sales Total:				253,362,179		
74	87	Dress Barn 07/89-S	249,201	18,935							
75	84	The Cato Corp. 01/90-S	246,191	-5,337							
76	82	Newmark & Lewis 01/90-H	245,543	117							
77	77	J G Industries 01/90-H	240,937	-10,063							
78	96	Gantos 01/90-S	238,156	7,004							

Where previous year's figures have been restated by a company, they are not reflected in the Profile.

As noted below, the company totals shown in this list may include some non-retail sales, as in the case of Hartmark, Brown Group, US Shoe, etc.

smallest sales gain of the four sub-industry groups. Even when \$2.4 billion of revenue from the discontinued operations of *May Dept. Stores* (*Caldor*, *Venture*, and *Loehman's*) is added back in, the group was only able to muster a 5% rise in sales over 1988. However, improvements in gross profit and SG&A enabled the department store sector to achieve its highest return on sales in five years — 3.5% With its longest collection period in five years (134 days), the group also benefited from more interest income on credit cards. Composite miscellaneous income exceeded interest payments . . . *May* turned in the best return on equity in the sector with 21.4%.

Department stores outperformed the other categories with a composite 2.0 Gross Profit (Margin) Return on Inventory. New to the Profile, this ratio combines gross margin and inventory turnover to provide a key measure of merchandising performance. One without the other won't do, however, as witness the fact that *Alexander's* led the group with 6.7 inventory turns and a 2.5 GMROI, yet suffered a bottom-line loss because of its weak 26% gross profit.

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Classifications and Sectors

Companies have been included in KSA's Fiscal 1989 Retail Profile if they are publicly owned, derive half or more of their revenues from the retailing of personal and home consumer products (excluding food, drugs, and autos), and their annual reports for fiscal 1989 (years closing between March, 1989, and February, 1990) were available for analysis.

The KSA Retail Profile includes 92 companies whose fiscal 1989 results were fully profiled, one multi-industry company (*Genesco*) whose retail volume was significant, but less than half of its total sales, and five privately held companies whose sales and earnings are included in the table above, but which do not appear elsewhere in the Profile.

Retail Performance Profile — Fiscal 1989

COMPANY	RETURN ON SALES		GROSS PROFIT		OPERATING EARNINGS		RETURN ON INVESTED CAPITAL		RETURN ON INVENTORY		GROSS PROFIT ON INVENTORY		INVENTORY TURNS		RETURN ON TOTAL ASSETS		TOTAL DEBT TO ASSETS										
	%	89	88	%	89	88	%	89	88	%	89	88	89	88	%	89	88	89	88								
ALEXANDER'S 07/89-D	-3.71	+	81	26.25	75	79	-0.23	84	85	11.01	+	81	-35.69	92	87	2.52	15	16	6.73	7	7	8.42	+	81	0.48	58	50
AMES DEPARTMENT STORES 01/90-G	-4.58	85	60	24.29	82	77	-2.29	88	74	-44.50	85	64	-19.04	89	70	1.01	83	88	3.46	50	55	-10.04	84	65	0.84	5	11
AUDIO VIDEO AFFILIATES 01/90-H	-1.52	79	59	27.32	70	48	-2.44	89	56	-10.14	82	65	-5.02	84	57	0.90	85	58	2.48	75	61	-4.43	80	64	0.56	43	63
BEST BUY COMPANY 03/89-H	0.41	66	73	22.90	85	84	1.98	69	76	2.16	64	68	2.02	73	81	1.14	73	79	3.90	43	42	1.47	65	70	0.57	39	33
BLAIR CORPORATION 12/89-S	6.36	11	5	51.38	5	3	6.54	32	16	24.66	4	1	52.79	6	1	4.26	1	1	4.21	35	30	16.54	6	1	0.33	83	78
BRENDEL'S INC 01/90-H	1.24	57	78	24.93	81	78	3.44	59	54	4.33	54	77	4.22	64	82	0.85	87	83	2.73	71	73	2.65	55	76	0.47	60	67
BROWN GROUP 01/90-S	1.69	52	++	37.57	28	28	3.47	58	59	7.18	44	++	9.25	55	52	2.05	29	35	3.39	55	64	4.74	45	++	0.52	52	44
BURLINGTON COAT FACTORY (10/88)06/89-S*	4.24	26	30	33.07	41	42	5.36	44	51	9.74	31	29	9.17	56	55	0.71	91	92	1.34	89	87	6.19	35	39	0.41	78	44
CARTER HAWLEY MALE 07/89-D	0.27	68	60	28.21	66	63	6.41	36	46	0.96	68	76	1.32	75	60	1.40	60	66	3.64	49	47	0.68	68	77	1.11	1	1
THE CATO CORPORATION 01/90-S	-1.38	78	++	28.27	65	57	-6.17	91	91	-8.30	81	++	-13.57	86	84	2.79	10	21	6.51	9	11	-5.50	82	++	0.69	16	20
CHARMING SHOPPES 01/90-S	4.50	24	19	28.92	60	50	6.04	39	27	12.36	24	21	26.22	23	14	1.68	47	30	4.66	25	23	7.81	27	23	0.44	70	67
CHILD WORLD 01/90-H	0.70	63	47	28.52	62	58	2.59	63	50	2.48	61	57	2.66	69	54	1.08	80	82	2.59	73	76	1.44	66	61	0.47	60	58
CIRCUIT CITY STORES 02/90-H	3.73	31	28	29.53	55	55	6.53	33	28	17.23	15	11	23.58	28	28	1.87	38	49	4.66	25	28	10.94	15	14	0.50	56	50
CLAIRE'S STORES 01/90-H	10.22	2	15	51.00	6	11	17.27	1	13	32.18	1	14	77.15	2	6	3.85	4	2	4.78	23	14	18.95	1	16	0.47	60	60
CLOTHESLINE 01/90-S	0.25	69	83	44.55	16	20	0.43	80	88	1.11	67	83	2.21	72	90	3.99	2	3	5.32	12	22	0.69	67	83	0.38	80	81
CML GROUP 07/89-S	8.60	++	37	57.38	1	5	10.28	14	22	-21.99	++	49	48.34	8	33	3.23	8	7	2.03	83	67	-14.43	++	43	0.83	8	15
CONSOLIDATED STORES 01/90-G	1.60	++	33	40.23	20	21	1.88	70	30	-2.95	++	33	6.12	61	42	1.54	51	42	2.43	76	70	-2.26	++	28	0.53	49	60
COSTCO WHOLESALE CORP. 08/89-G	0.92	59	76	8.66	91	92	0.21	82	82	7.18	44	52	11.41	47	66	1.08	80	87	12.74	2	3	4.33	48	60	0.61	31	8
CROWLEY, MILNER & COMPANY 01/90-D	0.07	72	70	38.77	24	26	1.76	72	68	0.27	71	73	0.44	77	73	2.27	19	14	3.82	45	44	0.18	70	73	0.61	31	33
DAYTON HUDSON CORP 01/90-G	3.00	37	50	25.21	78	80	8.61	20	26	9.62	32	47	22.44	31	37	1.88	37	41	5.84	11	11	6.13	36	50	0.74	11	12
DEB SHOPS 01/90-S	8.74	3	7	30.30	53	66	12.46	5	11	20.04	10	10	58.96	4	4	2.04	30	20	5.17	17	10	16.84	5	8	0.18	92	92
DILLARD DEPARTMENT STORES 01/90-D	4.86	21	23	33.99	36	36	6.86	29	42	7.93	42	43	20.68	33	31	1.45	59	50	3.24	58	59	5.93	37	40	0.56	43	22
DOLLAR GENERAL CORP 01/90-G	2.01	49	57	29.38	57	60	4.21	49	61	8.39	39	50	8.82	57	67	1.29	66	80	2.79	70	77	6.39	32	45	0.38	80	60
DRESS BARN 07/89-S	7.60	6	6	39.27	22	24	11.04	11	6	24.92	3	3	51.40	7	5	2.66	13	12	4.55	27	26	18.73	2	3	0.25	90	88
DUTY FREE INTERNATIONAL 01/90-H	11.70	1	2	51.99	4	9	14.77	3	5	10.49	28	7	82.94	1	2	3.69	6	6	4.13	37	49	9.53	23	5	0.19	91	83
EDISON BROTHERS STORES (12/88)01/90-S*	5.70	14	31	35.99	31	29	10.18	15	23	19.29	13	30	32.40	14	26	2.04	30	19	4.14	36	33	10.67	16	33	0.54	47	37
FABRI-CENTERS OF AMERICA 01/90-S	2.63	42	56	45.33	15	15	5.54	43	57	9.05	38	53	8.12	59	68	1.40	60	69	1.77	86	86	5.55	39	55	0.57	39	40
FAMILY DOLLAR STORES 08/89-G	2.84	40	26	33.80	37	33	3.92	52	45	12.01	25	18	10.13	51	46	1.20	68	70	2.56	74	72	6.64	30	22	0.45	67	74
FREDERICK'S OF HOLLYWOOD 08/89-S	3.80	30	44	46.38	12	16	6.24	37	53	16.92	17	32	31.26	15	29	3.81	5	4	4.98	19	27	10.53	17	29	0.38	80	84
FRED MEYER 01/90-G	1.86	++	55	29.37	58	54	2.19	68	63	-1.44	++	36	11.36	48	49	1.80	41	45	4.47	29	37	-0.86	++	41	0.68	18	27
THE FUR VAULT 05/89-S	-3.12	82	85	38.82	23	39	-17.58	92	92	-7.96	80	85	-16.17	88	91	2.01	33	46	3.15	63	35	-4.80	81	85	0.43	72	85
GANTOS INC 01/90-S	2.94	39	48	28.42	63	67	4.06	50	64	8.14	40	42	17.68	36	43	1.71	45	42	5.18	15	19	5.52	41	44	0.59	36	12
THE GAP 01/90-S	6.15	12	14	34.06	35	41	11.11	10	14	27.46	2	5	40.10	10	11	2.22	21	25	4.79	22	37	16.85	4	6	0.42	76	72
THE GOOD GUYS 09/89-H	2.03	48	53	26.84	72	73	3.55	55	62	11.39	26	23	15.70	41	36	2.07	26	22	6.55	8	8	7.83	26	24	0.45	67	85
GOTTSCHALKS 01/90-D	1.56	54	46	32.47	42	40	2.41	65	59	3.52	57	55	9.98	52	41	2.08	25	27	4.73	24	20	2.04	57	57	0.69	16	20
GREENMAN BROS. 01/90-H	0.81	62	71	33.57	38	35	3.04	62	70	3.13	59	71	3.61	66	79	1.49	56	53	3.16	62	68	2.03	58	72	0.53	49	53
GROSSMAN'S 12/89-H	1.68	53	65	26.89	71	64	2.29	67	72	7.70	43	59	13.28	45	56	2.13	23	34	5.18	15	18	4.87	44	58	0.64	23	10
HANCOCK FABRICS 01/90-S	7.51	7	9	46.92	9	12	12.39	6	4	21.36	7	17	18.08	35	40	1.13	74	76	1.33	90	90	14.78	7	11	0.51	55	78
HARTMARX CORP. 11/89-S	1.34	56	39	39.66	21	22	3.18	61	47	2.76	60	46	3.67	65	51	1.09	78	73	1.84	85	82	1.92	59	42	0.60	34	55
HAVERLY FURNITURE 12/89-H	3.36	33	35	46.92	9	13	3.39	60	69	4.86	53	60	17.47	37	34	2.44	16	13	2.91	67	66	4.08	51	51	0.60	34	28
HECHINGER COMPANY 01/90-H	2.52	44	21	25.65	76	75	3.81	54	35	6.05	49	39	11.44	46	22	1.16	71	55	4.09	41	25	4.53	47	32	0.47	60	63
HIGHLAND SUPERSTORES 01/90-H	0.45	++	69	31.72	44	46	0.46	79	77	-5.97	++	66	2.30	70	75	1.64	49	64	3.29	57	57	-3.65	++	66	0.64	23	28
HILLS DEPARTMENT STORES 01/90-G	0.14	70	73	28.60	61	61	5.21	45	44	0.46	69	74	0.75	76	74	1.53	52	44	4.50	28	29	0.27	69	74	0.96	3	2
THE HOME DEPOT 01/90-H	4.06	29	29	27.80	68	72	6.69	30	41	13.74	21	19	29.35	18	23	2.01	33	39	5.90	10	9	10.02	22	17	0.54	47	66
HORN & HARDART COMPANY 12/89-S	-1.68	81	++	13.61	90	90	1.68	73	85	-3.18	78	++	-21.21	90	92	1.72	44	37	12.67	3	2	-2.26	77	++	0.86	4	5
HOUSE OF FABRICS 01/90-S	3.11	36	35	52.22	3	2	5.95	40	32	9.11	37	35	8.13	58	53	1.37	62	62	1.28	91	92	5.81	38	38	0.42	76	67
JACOBSON STORES 01/90-D	2.99	38	40	36.03	30	23	6.57	31	32	6.03	50	54	14.46	43	45	1.74	43	29	3.33	56	63	4.72	46	48	0.66	19	17
JAMESWAY 01/90-G	0.66	64	63	28.29	64	59	2.31	66	65	2.35	62	63	2.79	68	69	1.19	69	74	3.14	65	65	1.61	62	63	0.63	27	27

J. BAKER 01/90-S	3.29	34	38	38.17	26	30	7.22	25	34	9.15	36	22	9.43	54	50	1.09	78	75	2.26	80	80	5.54	40	30	0.64	23	19
J C PENNEY 12/89-D	4.98	19	16	34.84	33	34	9.20	18	17	11.28	27	31	30.69	17	13	2.15	22	17	4.36	31	39	6.32	34	35	0.66	19	18
JG INDUSTRIES 01/90-H	-4.35	84	79	40.71	19	18	-1.50	87	80	-24.03	84	78	-25.17	91	83	2.36	18	32	2.88	68	71	-11.10	85	79	0.73	12	3
KAY JEWELERS 12/89-H	0.05	73	45	56.48	2	1	4.38	48	25	0.09	73	44	0.10	79	65	1.19	69	64	0.99	92	91	0.06	73	53	0.84	5	6
K MART CORP 01/90-G	3.26	++	42	26.37	74	71	3.88	53	52	4.04	++	34	13.89	44	47	1.12	75	70	3.45	51	52	2.46	++	34	0.62	29	33
LANDS' END 01/90-S	5.33	17	8	42.48	18	18	8.57	21	8	24.30	5	2	33.92	12	7	2.70	12	11	4.11	40	31	17.41	3	2	0.31	84	76
THE LIMITED 01/90-S	7.46	8	13	31.12	47	51	13.45	4	7	20.58	8	16	71.96	3	3	3.00	9	9	7.20	6	6	14.34	8	15	0.49	57	40
THE LIONEL CORPORATION 01/90-H	0.08	71	68	25.56	77	74	1.55	74	72	0.22	72	69	0.25	78	80	0.79	88	91	2.38	78	75	0.15	72	71	0.63	27	24
L LURIA & SON 01/90-H	1.38	55	52	30.35	52	49	2.47	64	58	4.93	51	58	3.53	67	61	0.78	90	85	1.96	84	83	2.93	53	59	0.43	72	75
LOWE'S COMPANIES 01/90-H	2.83	41	43	22.65	86	87	5.76	41	43	9.21	35	40	18.38	34	35	1.47	57	60	5.21	14	16	6.53	31	37	0.44	70	63
MAY DEPARTMENT STORES COMPANY 01/90-D	5.36	16	24	31.46	46	65	10.75	12	19	9.35	33	37	34.54	11	21	2.03	32	37	4.01	42	17	6.38	33	36	0.70	15	24
MELVILLE CORP 12/89-S	5.27	18	20	38.29	25	27	8.75	19	18	19.81	11	8	30.90	16	18	2.24	20	22	3.75	47	48	13.13	10	10	0.47	60	78
MERCANTILE STORES 01/90-D	5.64	15	12	31.04	50	45	9.31	17	14	10.21	29	26	33.14	13	10	1.83	40	31	4.22	33	34	8.42	24	20	0.30	86	87
MERRY-GO-ROUND 01/90-S	4.64	23	32	31.09	49	53	8.04	23	37	17.34	14	27	57.89	5	12	3.87	3	10	9.66	4	4	12.21	13	25	0.43	72	57
MICHAELS STORES 01/90-H	0.00	74	54	33.20	39	42	4.93	46	29	0.01	74	62	0.02	80	62	1.11	76	78	2.41	77	73	0.01	74	54	0.73	12	12
THE NEWMAN MARCUS GROUP 07/89-S	1.72	51	62	30.48	51	56	5.73	42	49	4.02	56	79	10.15	50	63	1.80	41	51	4.33	32	43	2.71	54	78	0.65	21	44
NEWMARK & LEWIS 01/90-H	0.29	67	67	28.03	67	69	0.78	76	78	0.39	70	41	1.91	74	64	1.86	39	40	4.85	21	21	0.18	70	52	0.61	31	39
NORDSTROM 01/90-S	4.30	25	17	31.51	45	37	6.46	35	21	9.79	30	27	27.36	20	16	2.00	35	36	4.44	30	36	6.73	29	26	0.57	39	37
OSHMAN'S SPORTING GOODS 01/90-H	-0.18	75	+	35.28	32	25	0.31	81	67	-0.62	75	+	-0.58	81	86	1.11	76	58	2.26	80	81	-0.38	75	+	0.47	60	67
PAUL HARRIS STORES 01/90-S	0.82	61	84	29.65	54	82	3.50	57	89	2.30	63	84	4.23	63	89	1.53	52	83	3.44	52	69	1.80	61	84	0.56	43	32
PETRIE STORES CORP. 01/90-S	2.57	43	+	27.55	69	70	4.05	51	48	4.19	55	+	26.01	25	15	2.79	10	8	7.74	5	5	3.60	52	+	0.28	87	88
PIC N SAVE CORP 12/89-G	6.50	10	1	48.48	8	4	11.66	8	1	13.18	22	6	28.38	19	9	2.12	24	32	2.28	79	84	10.10	21	4	0.28	87	90
PIER 1 IMPORTS 02/90-H	4.93	20	18	38.11	27	7	9.81	16	12	9.22	34	38	16.32	39	39	1.26	67	51	2.23	82	85	7.21	28	31	0.48	58	28
THE PRICE COMPANY 08/89-G	2.39	45	51	8.60	92	91	1.45	75	81	15.61	19	24	45.71	9	8	1.65	48	48	19.39	1	1	10.48	18	21	0.52	52	53
ROSE'S STORES 01/90-G	0.59	65	66	20.94	88	88	1.81	71	71	3.38	58	56	2.24	71	71	0.79	88	89	3.23	60	51	1.81	60	56	0.59	36	44
ROSS STORES 01/90-S	4.07	28	25	29.00	59	62	7.26	24	38	19.55	12	13	23.06	30	30	1.64	49	54	4.22	33	45	11.95	14	19	0.58	38	40
SEARS MERCHANDISE GROUP 12/89-D	2.24	46	+	31.12	47	47	-1.10	85	90	4.87	52	+	14.84	42	72	2.06	28	18	4.92	20	24	2.54	56	+	0.76	9	8
SERVICE MERCHANDISE 12/89-H	2.18	47	49	23.14	84	85	6.16	38	39	8.10	41	45	9.45	53	48	1.00	84	81	3.44	52	53	4.33	48	49	1.03	2	7
SPIEGEL, INC. 12/89-S	4.81	22	22	36.54	29	32	0.71	77	87	7.10	46	48	27.18	21	20	2.07	26	24	4.13	37	31	5.15	42	46	0.71	14	15
SPOUSE REITZ STORES 01/90-G	-0.73	77	80	25.01	80	76	-0.15	83	84	-2.35	77	80	-2.59	83	85	0.88	86	90	2.62	72	79	-1.72	77	80	0.40	79	72
STANDARD BRANDS PAINT 01/90-H	1.18	58	58	44.07	17	14	6.93	27	20	1.94	66	72	6.52	60	58	2.43	17	28	2.85	69	78	1.56	63	68	0.84	5	3
STRAWBRIDGE & CLOTHIER 01/90-D	3.28	35	41	25.05	79	81	8.23	22	24	6.74	48	51	22.39	32	32	1.71	45	47	5.28	13	13	5.04	43	47	0.62	29	22
STUARTS DEPARTMENT STORES 01/90-G	-0.39	76	72	26.56	73	68	0.65	78	75	-1.86	76	67	-1.96	82	76	1.35	63	68	3.81	46	49	-1.14	76	67	0.65	21	33
SYMS CORP 12/89-S	5.91	13	11	33.10	40	38	10.34	13	10	12.66	23	20	27.12	22	17	1.52	54	57	3.15	63	56	10.43	20	13	0.26	89	91
TANDY CORP 06/89-H	7.74	5	4	46.81	11	8	12.32	7	3	16.81	18	12	25.17	26	25	1.52	54	61	1.73	87	89	12.57	12	12	0.31	84	81
TIFFANY & COMPANY 01/90-H	8.67	4	3	49.92	7	6	15.88	2	2	21.66	6	4	23.36	29	27	1.34	64	63	1.56	88	88	14.05	9	7	0.43	72	76
THE T.J. COMPANIES 01/90-S	3.52	++	++	23.48	83	83	6.93	27	30	-14.93	++	++	16.22	40	44	1.08	80	76	3.71	48	54	-8.25	++	++	0.76	9	24
TOYS R US 01/90-H	6.71	9	10	29.50	56	52	11.40	9	9	17.09	16	15	26.10	24	19	1.15	72	72	3.12	66	60	10.44	19	18	0.45	67	67
U.S. SHOE CORPORATION 01/90-S	1.92	50	77	45.56	14	17	4.42	47	65	6.77	47	75	10.71	49	77	2.54	14	15	3.21	61	62	4.23	50	75	0.53	49	44
WAL-MART STORES 01/90-G	4.17	27	27	22.29	87	86	6.53	33	36	20.54	9	9	24.30	27	24	1.30	65	66	5.16	18	15	13.12	11	9	0.52	52	50
W. BELL & COMPANY (06/88)01/90-H*	-4.08	83	75	18.45	89	89	-2.82	90	79	-15.57	83	61	-14.83	87	78	0.67	92	85	3.43	54	41	-9.64	83	62	0.64	23	55
WEBSTER CLOTHES 01/90-S	-1.53	80	82	46.00	13	10	-1.20	86	83	-4.50	79	82	-11.22	85	88	3.37	7	5	4.13	37	46	-3.27	79	82	0.57	39	40
WOOLWORTH CORPORATION 01/90-S	3.73	31	34	32.39	43	44	6.97	26	40	13.81	20	25	16.76	38	38	1.46	58	55	3.24	58	58	8.42	24	27	0.47	60	59
ZIONS COOPERATIVE 01/90-D	0.92	59	64	34.26	34	31	3.53	56	55	1.95	65	69	5.22	62	59	1.94	36	25	3.89	44	40	1.49	64	68	0.56	43	44

* Extraordinary gains exceed 1% of net sales

** Extraordinary losses exceed 1% of net sales

* Fiscal year change; (previous) and current year end dates shown

Inventory ratios are based on dollars of inventory at close of fiscal year per balance sheet

Noteworthy Performances

Return on Total Equity

	1989 %
1 Claire's Stores	35.62
2 Hancock Fabrics	30.30
3 The Gap	28.89
4 Ross Stores	28.76
5 The Limited	27.97
6 Wal-Mart	27.13
7 Lands' End	25.37
8 Dress Barn	24.92
9 Blair Corp.	24.66
10 Tiffany & Co.	24.57

Return on Net Operating Assets

	1989 %
1 Claire's Stores	48.74
2 The Gap	45.85
3 C M L Group	43.70
4 Lands' End	35.91
5 Tiffany & Co.	35.35
6 Dress Barn	35.13
7 Melville	34.65
8 Hancock Fabrics	33.83
9 Ross Stores	33.28
10 The Limited	32.55

Gross Margin Return on Inventory

	1989
1 Blair Corp.	4.26
2 Clotheshime	3.99
3 Merry-Go-Round	3.87
4 Claire's Stores	3.85
5 Frederick's of Hollywood	3.81
6 Duty Free International	3.69
7 Webster Clothes	3.37
8 C M L Group	3.23
9 The Limited	3.00
10 The Cato Corp.	2.79

General Merchandise Discounters.

The 16 companies in this category had the best composite sales gain (16.7%) among the sectors, but 11 of the firms in this crowded and competitive field stumbled during 1989, with profit declines or losses. They were not enough to overcome the strong returns by *Wal-Mart*, *Dayton Hudson*, *Costco* and *Price*, however. The last two wholesale clubs, featuring gross margins under 10%, led the entire Profile with inventory turns of 19 and 13.

The discounters suffered declines in their composite returns on both sales and assets, and gross profit was down half a percentage point . . . Included in the sector's P&L was a \$640 million extraordinary item by *K-Mart* for future store modernization, which lowered the company's net income for 1989 but probably paved the way for higher profit ratios in the future. Total extraordinary charges this year were \$914 million for all 92 companies.

Soft Line Specialty Stores.

As a group, the 35 companies in this thoroughly mixed classification turned in leading sector performances, and its member firms dominated the top performer rankings. It includes four mail order catalog specialists, several "specialty department stores" featuring fashion and service, chains specializing in shoes, all types of apparel including off-price, over-the-counter fabrics, and a number of other products and "themes." Most seem to have developed special formulas for their market niches.

Sales were up 12% over 1988, on which the sector realized a 20% gain in total dollar profits. This yielded a 4.2% return on sales, highest for any group. The soft line specialty stores also led with composite returns on total assets (7.6%) and net operating assets (21.8%). Return on equity was their highest since 1985, at 15.9%.

Leading individual performances, in addition to those already noted, were turned in by the *Blair Corp.* (formerly *New Process*), which had a first place GMROI of 4.3, helped by a 51% gross profit. It and other mail order specialists (*Lands' End*) did well in return on total assets . . . *Merry-Go-Round* exploits a sharply focused market niche (fashion innovation for young men) very effectively. Its GMROI of 3.9 ranked third over-all, made possible by a mediocre 31% gross profit but a sparkling 9.7 inventory turn . . . The established top performers in soft lines specialty retailing, like *The Gap* and *The Limited*, recovered from the 1988 slowdown and appear to be back on track. The latter knows how to combine superior sourcing control with testing and rapid style replenishment — an unbeatable formula.

Hard Line Specialty Stores.

Reversing the experience of the soft line specialists last year, the 29 retailers who focus on furniture, jewelry, toys, electronics and other hard goods increased their sales by 13% over 1988, but could only add 6% to their profits. The chief culprit was a higher cost of goods sold, reflecting the tough price competition in most of

Industry Sector Results

Industry Sectors	No. of Firms Reported	Sales (\$000)	Net Income (\$000)	Return on Sales %	Gross Profit %	Operating Earnings %	Return on Inv. Capital %	Return on Inventory %	Gross Profit Return on Inv. %	Inv. Turns	Ret. on Total Assets %	Total Debt to Assets
Department Stores (D)												
1989	12	65,031,330	2,304,499	3.51	32.03	4.49	7.36	21.74	1.99	4.43	4.31	71
1988 (FY 88 Profile: 14)	12	64,052,058	2,185,239	2.84	31.14	2.88	7.25	19.25	2.11	4.65	4.32	72
General Merchandise Discounters (G)												
1989	16	91,202,015	1,791,286	2.75	23.75	4.72	8.27	14.81	1.28	4.52	4.97	63
1988 (FY 88 Profile: 19)	16	78,119,563	2,264,656	2.89	24.25	5.08	10.78	16.31	1.37	4.52	7.05	61
Soft Lines Specialty Stores (S)												
1989	35	46,014,247	1,738,759	4.23	34.57	7.24	11.38	22.79	1.86	3.74	7.55	52
1988 (FY 88 Profile: 32)	35	41,062,989	1,392,943	3.95	34.15	6.69	9.94	21.44	1.85	3.91	6.56	51
Hard Lines Specialty Stores (H)												
1989	29	29,233,939	1,123,144	3.89	31.51	7.17	11.24	17.05	1.38	3.16	7.47	53
1988 (FY 88 Profile: 32)	29	25,951,306	1,089,717	4.14	31.90	7.58	12.06	17.96	1.38	3.18	7.98	52
Industry Totals												
1989	92	231,481,531	6,957,688	3.40	29.21	5.46	8.89	18.47	1.59	4.12	5.46	64
1988 (FY 88 Profile: 97)	92	209,185,916	6,932,555	3.24	29.25	5.03	9.34	18.38	1.66	4.22	5.89	63

these markets. Composite return on sales for the group declined to 3.9%, and return on equity was down almost 1%. Return on net operating assets was 20%.

Hard line specialists also had their share of top performers. *Claire's Stores*, a chain of 800-plus mall outlets offering popular priced costume jewelry and graphics, scored No. 1 in four performance categories, and placed second in two others. It expanded by almost one-third last year, and seems to have the formula and execution know-how to continue. . . . *Tiffany* was again among the top performers, with leading returns on sales, invested capital, and assets. *Kay Jewelers*, starting with an even higher gross profit, could not do better than a 48th place in any other ratio. . . . None of this year's top performers came from the electronics, home repair, or furniture sectors.

A review of the winners and losers in this year's Profile suggests that there will always be room in the overcrowded retail field for companies with a strong marketing focus and the ability and resources to execute well. Sooner or later, that is bound to relieve the overcrowding.

The Complete Profile

A full print-out covering fiscal years ending 1985 through 1989 is available for in-depth comparisons and study.

For each of the companies, as well as the industry segment composites and the total industry aggregate, the report contains a full financial statement, a balance sheet, and a comprehensive list of ratios.

It is available from KSA at a cost of \$500.

Company Medians

	\$ Sales (Mil.)	% ROS	% ROE	GM ROI
Retail (92)	545,201	2.2	10.1	1.7
Dept. Stores (12)	2,312,802	3.3	13.2	2.0
Discounters (16)	1,370,031	.7	6.5	1.3
Soft Lines Specty. (35)	534,208	4.3	13.9	2.0
Hard Lines Specty. (29)	420,615	1.7	8.6	1.5

Disclaimer

The information presented in this Performance Profile was obtained from available annual reports made by public companies to their stockholders and to the Securities and Exchange Commission. While we believe the information furnished to be reliable, no representations are made as to the accuracy thereof. Kurt Salmon Associates assumes no responsibility for any errors in the Performance Profile, whether of omission or commission.

Information presented herein is based solely on publicly available data; the confidentiality of KSA's client relationships has been maintained throughout. KSA's Financial Performance Profile is intended solely for the statistical information of the purchaser. It is not a representation, prospectus, or circular in respect of any stock or security of any corporation. The data and comments contained herein do not constitute investment advice in any form.

Composite Profit and Loss Data — Retail Industry (92 Companies)

FISCAL PERIOD ENDING	1989		1988		1987		1986		1985	
	\$	PCT	\$	PCT	\$	PCT	\$	PCT	\$	PCT
Net Sales	231481531	100.00	209185916	100.00	184623970	100.00	164467780	100.00	146217070	100.00
-Cost of Goods Sold	163874284	70.79	147997888	70.75	129753792	70.28	114779292	69.79	101004718	69.08
Gross Profit	67607247	29.21	61188028	29.25	54870178	29.72	49688488	30.21	45212352	30.92
-Sell., Gen. & Admin	54958445	23.74	50658629	24.22	44614563	24.17	40038303	24.34	37016934	25.32
Operating Earnings	12648802	5.46	10529399	5.03	10255615	5.55	9650185	5.87	8195418	5.60
-Interest Expense	4117234	1.78	3484324	1.67	2890831	1.57	2872595	1.75	2844466	1.95
Misc. Inc. or Exp.	3645297	1.57	3636120	1.74	2958501	1.60	3001917	1.83	3095680	2.12
Income Before Tax	12176865	5.26	10681195	5.11	10323285	5.59	9779507	5.95	8446652	5.78
- Income Tax	4305247	1.86	3900361	1.86	4197831	2.27	4579470	2.78	3715861	2.54
Income After Tax	7871618	3.40	6780834	3.24	6125454	3.32	5200037	3.16	4730791	3.24
Extraordinary Item	-913930	-0.39	151721	0.07	-158325	-0.09	82223	0.05	-302058	-0.21
Net Income	6957688	3.01	6932555	3.31	5967129	3.23	5282260	3.21	4428733	3.03

No. of companies 92 92 88 82 75

FLOW OF FUNDS ANALYSIS

Working Cap at Start	37111974	35476485	34507774	30060721	23190466
Net Income	6957688	6932555	5967129	5282260	4428733
Depreciation	4049500	3733500	3215346	2770281	1746147
Change in L-T Debt	1310682	5600891	2432729	2602454	5345219
Change in Deferred	-470884	18390	-128515	553236	1521699
Change in Pref Stk	91917	213228	-202172	1041	175954
Change in Common	1578311	-280451	290302	1787617	794030
Dividends Paid	-2387390	-1541772	-1375393	-1130092	-799817
Capital Expend	-8021044	-6808479	-6656316	-5886738	-4052941
Misc Assets Change	-780854	-2782812	-405570	-496267	-1721382
Misc Transactions	-2183337	-3462426	-2168829	-1036739	-567387
Working Cap at End	37256563	37099109	35476485	34507774	30060721

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